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S E C R E T SECTION 01 OF 02 KATHMANDU 001178

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E.O. 12958: DECL: 06/17/2014

TAGS: ASEC CASC BEXP PTER ECON NP

SUBJECT: NEPAL: ADDITIONAL INFORMATION ON THE BOMBING OF
AMERICAN-OWNED OFFICE IN KATHMANDU

REF: A. A) KATHMANDU 1119
B. B) KATHMANDU 1159

Classified By: Charge d'Affaires Janet Bogue for reasons 1.5 (B,D)

¶1. (S/NF) Post continues to look into the June 12 bombing of the American-owned carpet factory "Red Thread." (REF A) On June 18, RSO Jim Gayhart met with American business owner Leslie Shackleford (please protect) to discuss the recent Maoist bombing of her factory (REFTELS). She expressed concern that this information NOT/NOT be widely disseminated fearing further Maoist retaliation. Shackleford stated that she sought Embassy advice in December 2002 when the Maoists demanded a one-time donation of NRs. 500,000 (approximately USD 7,000) in order to guarantee the safety of her business. Shortly after receiving this demand, Shackleford reported this incident to CON and RSO. Shackleford believes that her confidentiality was somehow breached, stating that she was

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later approached by several American expatriates who indicated that they had heard during a public briefing that "an American carpet factory owner" had received an extortion demand. (NOTE: Shackleford's carpet business is one of the few American-owned carpet businesses in Kathmandu. END NOTE.)

¶2. (S/NF) Following her initial encounter in December 2002, Shackleford stated that she met with the Maoists several times and negotiated a reduced payment, eventually giving the Maoists what was agreed to be a one-time donation of NRs. 300,000 (approximately USD 4000). (NOTE: This extortion figure is quite low for the carpet industry. END NOTE.) She indicated during one of her meetings that she was able to get the Maoists to agree to have video footage and digital photos taken. Shackleford claims that FBI SA John T. Dwyer with the AmEmbassy New Delhi LEGATTS Office had instructed her on how to convince the Maoists to pose for pictures and video footage and how to collect the Maoists' fingerprints from documents. She indicated that Dwyer provided her with an evidence bag and instructed her how to use it. (NOTE: This is the account of Shackleford as reported to RSO Jim Gayhart on June 18. Neither the RSO at the time, Kevin Wetmore or FBI SA John T. Dwyer have been contacted. Shackleford has not turned any photographs or other evidence into the Embassy. Shackleford claims to still have the photos, tape and documents in her possession. END NOTE.)

¶3. (S/NF) Although the Maoists knew Shackleford was an American, she does not believe her factory was targeted because of its American ownership. Rationalizing the event, she mentioned that there could be several factors leading to the incident:

-- MINOR LABOR ISSUE: Shackleford's carpet factory employs a number of temporary workers, who agree to work on short-term projects without additional compensation after the work is completed. She indicated that the Maoists met with her in March 2003 under the pretext of collecting severance benefits on behalf of several of these temporary workers. Shackleford explained to the Maoists that these workers agreed to a temporary employment contract and were not eligible for severance benefits. Citing her previous one-time payment to the Maoists, she refused to pay any additional money.

-- SAVING FACE: During this March 2003 meeting, the Maoists demanded that she return all video footage and photos taken during the first meeting. At the time, Shackleford refused. She now believes that the attack on her factory--although more than a year later--could be in retaliation for not returning the photos.

-- CAN AFFORD TO PAY: Shackleford believes that her business, like other foreign investments in Nepal, is an easy target for Maoist extortion because she can afford to pay. She claims that informal conversations with other American and third-country investors indicate that a majority of

businesses have paid extortion money to the Maoists.

14. (S/NF) As reported in Ref B, Shackleford believes she has received visits from Maoists subsequent to the bombing. She is not staying at her principal residence, plans to leave Nepal (at least temporarily) and may relocate her business to India. While accepting advice on her personal safety she prefers no assistance from the U.S. Mission and asked that the Mission help her keep a low profile and protect the confidentiality of her information.

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(S/NF) COMMENT. On June 22, the Embassy's Emergency Action Committee convened to discuss this incident further. Based on the RSO's conversation with the owner, it seems there may have been multiple factors involved with the Maoist bombing. In addition to Shackleford's theory, another contributing factor could have been "Red Thread's" the Tibetan affiliation (she has a Tibetan business partner and most of her employees are Tibetan women). The Maoists have long preyed on carpet factories, especially those connected to the Tibetan community. The industry presents an easy target for Maoist extortion demands. While the Maoists were aware of the factory's American ownership, it is hard to evaluate whether that was a factor in the bombing. END COMMENT.
BOGUE